

ENVIRONMENTAL INDEMNIFICATION AGREEMENT

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Bear County Petroleum, Inc. ("Borrower"), has applied to Mark E. Nicol and Dana M. Morasch ("Lender"), for a loan in the principal amount of TWO HUNDRED FIFTY THOUSAND AND NO/10 Dollars (\$ 250,000.00) (the "Loan") to be secured by three trust deeds (the "Trust Deeds") covering certain real property located in Deschutes and Klamath Counties, Oregon (the "Property"). Lender is unwilling to make the Loan unless Borrower agrees to indemnify Lender from any loss or liability which might result from certain conditions on the Property.

NOW, THEREFORE, to induce Lender to make the Loan, Borrower hereby warrants, covenants and agrees as follows:

1. DEFINITIONS.

1.1 The term "Environmental Laws" shall mean any and all federal, state and local statutes, regulations and ordinances pertaining to the protection of human health and/or the environment.

1.2 The term "Hazardous Substances" shall mean any and all hazardous, toxic, infectious or radioactive substances, wastes or materials listed or defined by any Environmental Laws and specifically shall include petroleum oil and its fractions.

2. NOTICE

Borrower shall immediately notify Lender upon becoming aware of any of the following:

2.1 Any spill, disposal or other release of a Hazardous Substance on or under the Property or property adjacent to the Property.

2.2 Any notice or communication from a governmental agency or any other person directed to Borrower or any tenant of the Property or any other person relating to Hazardous Substances on, under or adjacent to the Property or any violation of any Environmental Laws involving Borrower or the Property.

3. INDEMNIFICATION.

To the fullest extent allowed by law, Borrower shall indemnify, defend and hold harmless Lender and any successors to Lender's interest in the Property, their directors, officers, employees and agents (collectively, "Indemnitees") against any and all claims, demands, fines, losses, liabilities, costs and expenses (including attorneys' fees at trial and on any appeal or petition for review) (collectively, "Claims") arising out of, in connection with or in any way relating to (a) the breach of any covenants contained in this agreement or (b) the use, treatment, storage, generation, manufacture, transport, release, spill, disposal or other handling of Hazardous Substances on the Property. Claims shall include without limitation (a) the cost of all investigatory, removal, remedial and other response action required by any Environmental Law, by judicial order or by order of or agreement with any governmental authority having jurisdiction under any Environmental Law, (b) claims for injury or death of any person, including an Indemnatee, and (c) claims for damages to property of an Indemnatee or any other person, including claims for diminution in value or loss of use. Any Indemnatee may waive its right to defense under this section without prejudice to any other right or remedy it may have under this section or otherwise.

4. SURVIVAL.

The covenants contained in this agreement shall survive the delivery of a deed in lieu of foreclosure to Lender or any successor of Lender and shall survive any foreclosure, whether judicial or nonjudicial, of the Property by Lender or any successor of Lender, and shall be for the benefit of Lender and any successor to Lender as holder of any security interest in the Property or as owner of the Property following foreclosure or the delivery of a deed in lieu of a foreclosure.

5. BREACH/REMEDIES.

Any breach of this agreement shall constitute a default under the Trust Deeds and all other Loan documents securing the Loan. Lender shall have all rights and remedies available hereunder or in law or equity in addition to and not limited by any other rights or remedies Lender may have under the Trust Deeds or other Loan documents. Notwithstanding the foregoing, neither this agreement nor any obligation hereunder shall be deemed to be secured by the Trust Deeds or other Loan documents, except to the extent amounts payable under this agreement are added by Lender to the Loan pursuant to the terms of the Trust Deeds or other Loan documents.

6. GENERAL.

6.1 Costs and Attorneys' Fees. In the event any suit or action is instituted to enforce any of the terms of this agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees, at trial, on any appeal, and on any petition for review, in addition to all other sums provided by law.

6.2 Waiver. Any waiver with respect to the provisions of this agreement shall not be effective unless in writing and signed by the party against whom it is asserted. No such waiver shall constitute a waiver of any subsequent breach or default.

6.3 Severability. If in any judicial proceeding a court shall refuse to enforce all the provisions of this agreement, any unenforceable provisions shall be deemed eliminated from this agreement for the purpose of that proceeding as is necessary to permit the remainder of the agreement to be enforced in that proceeding.

6.4 Incorporation Into Trust Deeds. This agreement is incorporated into and made a part of each of the Trust Deeds, and a breach of this agreement in any respect shall constitute a default of each and all of the Trust Deeds.

DATED this 29th day of July, 1991.

BEAR COUNTY PETROLEUM, INC.

BORROWER:

By: George Van Scoy
George Van Scoy, President

By: Maryann Nicol
Maryann Nicol, Secretary-Treasurer

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Nicol Investment Co. the 4th day of Feb. A.D., 19 92 at 2:09 o'clock P.M., and duly recorded in Vol. M92 of Mortgages on Page 2420.

Evelyn Biehn, County Clerk

By Pauline M. Henderson

FEE \$18.00

Return: Nicol Investment Co.
P.O. Box 716
Lake Oswego, Or. 97034